

SUMMARY OF CHANGES TO MINISTRY BUDGETS ARISING FROM 30 DAY REVIEW

Overview

CPA Ministry of Finance and Iraqi Ministry of Finance undertook a 30-day review of the 2003 Budget, to identify expenditures that had not been budgeted for, and correct errors or omissions.

Following Finance Ministry review, the CPA Budget Office met with Finance on 26 July to discuss proposed Finance Ministry changes to Budget allocations for the remainder of 2003. This followed discussions between the Finance Ministry and their Iraqi counterparts in each Ministry.

Significant Changes affecting Ministry Budget allocations are outlined below:

Increases:

- **Oil** – significant additional spending (\$300m) granted to accelerate Oil reconstruction process.
- **Interior** – additional \$120m allocated for Iraqi police force.
- **Electricity** – additional \$20.2m capital allocated to improve electricity supply.
- **Agriculture** - reduction in returns expected from largest State Company, offset by reduction in operating expenditures.
- **Baghdad Mayoralty** – additional spending approved for water and sewerage improvements.

Decreases:

- **Culture** – capital allocation reduced to address likely under-spend in 2003.
- **Justice (including Prisons)** – capital allocation reduced to match identified requirements
- **Trade** – revenues expected from State Companies increased.

Revisions to Ministry Budgets

\$US M

Ministry	<i>exchange rate</i> 1.5			Investment			Revenues			Support for SOEs			Total Net Change
	Operations 1-Jul	Agreed		1-Jul	Agreed		1-Jul	Agreed		1-Jul	Agreed		
Agriculture	9.4	3.5	-5.9	10.0	10.0	0.0	144.2	100.0	-44.2	0.2	0.2	0.0	38.3
Baghdad Mayoralty	12.1	17.4	5.3	4.3	16.3	12.0	5.0	4.0	-1.0	0.0	0.0	0.0	18.3
Supreme Audit	0.5	0.3	-0.2	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Standards	0.0	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Culture	1.2	1.2	0.0	61.6	24.4	-37.2	0.0	4.0	4.0	0.0	0.0	0.0	-41.2
Security Affairs	45.0	45.0	0.0	120.0	120.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Education	9.7	9.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Electricity	24.0	24.0	0.0	77.6	97.8	20.2	0.0	0.0	0.0	0.7	0.7	0.0	20.2
Foreign Affairs	23.5	17.5	-6.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-6.0
Finance	175.3	180.7	5.4	1.2	3.8	2.6	0.0	0.0	0.0	24.0	24.0	0.0	8.0
Health	210.6	210.6	0.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Higher Education	32.8	32.8	0.0	4.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Housing and Construction	6.0	6.0	0.0	32.6	17.6	-15.0	0.0	0.0	0.0	0.0	15.0	15.0	0.0
Industry and Minerals	2.2	2.2	0.0	0.3	0.3	0.0	150.0	0.0	-150.0	206.7	56.7	-150.0	0.0
Interior	2.4	122.4	120.0	20.5	16.5	-4.0	0.0	0.0	0.0	0.0	0.0	0.0	116.0
Irrigation	2.7	3.9	1.2	30.5	30.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2
Labor and Social Affairs	6.4	10.0	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.6
Justice	5.8	3.7	-2.1	25.7	13.2	-12.5	0.0	0.0	0.0	0.0	0.0	0.0	-14.6
Justice – Prisons	6.3	6.3	0.0	21.9	10.0	-11.9	0.0	0.0	0.0	0.0	0.0	0.0	-11.9
Oil	0.0	45.3	45.3	0.0	256.0	256.0	0.0	1.3	1.3	0.0	0.0	0.0	300.0
Planning	4.6	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public Works/Muni	20.8	14.2	-6.6	52.0	52.0	0.0	6.6	0.0	-6.6	0.0	0.0	0.0	0.0
Endowments and Religious	0.7	0.7	0.0	3.2	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Science and Technology	11.8	10.3	-1.5	1.6	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.5
Trade	4.0	4.0	0.0	0.0	6.0	6.0	64.4	81.0	16.6	0.0	0.0	0.0	-10.6
Transport and Comm	10.8	10.8	0.0	138.7	138.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Youth	2.6	2.6	0.0	2.7	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	631.1	789.8		609.6	826.0		370.2	190.3		231.5	96.5		420.0
<i>changes</i>		158.6			216.4			-179.9			-135.0		

MAJOR CHANGES TO MINISTRY BUDGETS FOR 2003

Agriculture

- Dividends from State Owned Enterprises (SOEs) estimate reduced to \$100m (150b ID) to reflect pessimism in likely amount to be collected.
- Operating expenditures reduced by \$5.9m (8.9b ID) following negotiations between Finance and Agriculture Ministries.

Baghdad Mayorality

- An additional \$12m (18b ID) capital expenses added for sewerage and water programs.
- Additional funding of \$5.3m (8b ID)
- Revenues reduced by \$1m (1.5b ID) reflecting pessimism on amount likely to be collected.

Board of Supreme Audit

- \$0.2m (300m ID) reallocated from operating expenditures to capital.

Central Organization of Standards

- Allocated modest budget of \$0.2m (225m ID) to allow Organization to perform limited operations.

Culture

- Capital expenditures reduced by \$37.2m (55.8b ID), reflecting risk of under-spend in 2003.
- \$4m (6b ID) new revenue identified from hotels (eg Al Rashid) that will be paid to the Ministry of Finance.

Security Affairs

- To remain as per 7 July.

Education

- \$0.33m (500m ID) transferred within operating, from goods to services. Reduced funding for lecturers is offset by the amounts paid to exam proctors.

Electricity

- Additional \$20.2m allocated to capital expenditures.

Foreign Affairs

- Operating expenditures reduced by \$6m (9.1b ID) due to closed embassies – will refer allowances for foreign staff issue to Governing Council.

Finance

- \$3.8m of ILO fees transferred from Labor and Social Affairs (5.7b ID), and will be paid by Finance.
- \$1.56m (1.9bn ID) increase for Governorate Treasury offices.

- \$2.6m (3.9b ID) increase for capital expenditures.

Health

- To remain as per 7 July.

Higher Education

- To remain as per 7 July, but conditional on H.Ed collecting the course fees provisioned for in the published Budget.

Housing and Construction

- Capital expenditures reduced by \$15m (22.5 ID) (“long lead items” reduced to zero) to reflect expenditure that would occur through SOEs. \$15m (22.5b ID) reallocated to “support to SOEs”.
- Finance and the CPA OMB noted that projects funded in 2003 should generate revenues in 2004.

Industry and Minerals

- To remain as per 7 July, but \$150m (225b ID) of revenue now netted off support to SOEs.

Interior

- Capital expenditures (“Headquarters reconstruction”) reduced by \$4m (6b ID) to reflect revised estimates of the amount required for reconstruction.
- An additional 120m (180b ID) allocated to establish Iraqi police force.
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Irrigation

- Operating expenditures increased by \$1.2m (1.8b ID) to reflect increased costs.

Labor and Social Affairs

- Operating expenditures reduced by 3.8m (5.7b ID) reflecting ILO fees to be paid by Finance.

Justice

- Operating expenditures reduced by \$2.1m (3.1b ID). Reconstruction amounts (capital expenditure) reduced by \$12.5m (23.6b ID) reflecting likely underspend in 2003.

Justice – Prisons

- Capital reduced by \$11.9m (17.8b ID) to reflect likely underspend.

Oil

- Grossed up \$1.27m (1.9b ID) in revenues, with this amount also added to operating expenditures to ensure Ministry able to spend according to Iraqi budget processes.

- An additional \$300m ((450b ID) added to accelerate oil infrastructure restoration - \$256m (384b ID) added to capital spending, and \$44m (66b ID) added to operating expenditures for electricity generators for oil fields.

Planning

- 1.6m (2.4b ID) of additional spending afforded for Ministry to conduct labor force survey.

Public Works/Municipalities and Local Authorities

- Ministry to retain \$6.6m (9.9b ID) revenues, which Finance will net off its outlays.

Endowments and Religious Affairs

- To remain as per 7 July, noting name correction.

Science and Technology Commission

- Operating expenses decreased by \$1.47m (2.2b ID) to reflect revision to pollution clean up estimates.

Trade

- Expected revenues increased by \$16.6m (24.9b ID).

Transport and Comm

- To remain as per 7 July.

Youth

- To remain as per 7 July.